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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

July 25, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, NW
Washington, DC 20554-0001

Re: **CC Docket No. 95-185** ("Interconnection Between LECs and CMRS Providers") and
CC Docket No. 96-98 ("Implementation of the Local Competition Provisions in the
Telecommunications Act of 1996")

I am writing to address recent correspondence to the FCC from the Cellular Telephone Industry Association ("CTIA") in which they make certain misstatements about the position of the local exchange carriers in the aforementioned proceedings.

In their June 7, 1996 letter to Chairman Reed Hundt, CTIA stated that a recently negotiated interconnection agreement between Ameritech-Illinois ("Ameritech") and Southwestern Bell Mobile Systems ("SBMS") does not support the LECs' position, but rather supports CTIA's position of "reciprocal termination". In point of fact, CTIA's "reciprocal termination" position advocates "bill and keep", a scheme which would result in zero compensation to carriers when terminating one another's traffic. Bell Atlantic and other LECs have opposed "bill and keep", and we continue to oppose it. Instead, Bell Atlantic supports a policy of reciprocal compensation in which all carriers, LEC and CMRS, are compensated for terminating traffic originated on the other carrier's network.

The Ameritech-SBMS agreement is not a "bill and keep" arrangement, but rather reflects the principles of reciprocal compensation embodied in Section 251 of the Telecommunications Act of 1996 ("the Act"). These include the requirement to negotiate a mutually agreeable interconnection arrangement between carriers, and the requirement to compensate one another for termination of traffic. The fact that Ameritech and SBMS did not negotiate this agreement pursuant to a request for interconnection under Section 251 is probably a reflection of the confusion regarding the applicability of the Act's statutory provisions in light of the Commission's similar, yet separate, interconnection proceedings. The Commission should eliminate this uncertainty when it addresses local interconnection issues under its broader interconnection proceeding (CC Docket 96-98).

While CTIA's claims about the LECs' position are inaccurate, their endorsement of the Ameritech-SBMS agreement is encouraging. CTIA accepts that carriers should be mutually compensated at comparable rates for the traffic they terminate for others. This is a welcome change from the free termination model that CTIA previously recommended.

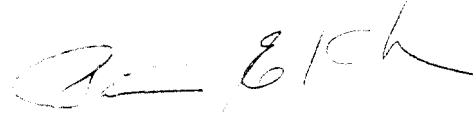
In a white paper sent to the Chairman on June 28, 1996, CTIA states that wireless carriers would be disadvantaged under the 251 regime because state PUCs are largely ignoring CMRS-LEC interconnection arrangements, and would likely treat CMRS carriers unfairly. There is no basis for these claims. As CTIA recognized in its July 2, 1996 letter to Michele Farquhar, Chief of the Wireless Telecommunications Bureau, the Ameritech-SBMS agreement in Illinois is the only CMRS-LEC agreement that has been submitted to a state PUC for approval. That agreement was approved by the Illinois Commerce Commission ("ICC") on June 26, 1996, less than one month after it was submitted. One can expect that other states will act similarly as the Commission establishes its interconnection policies for Section 251 and the carriers file their agreements under these provisions.

Bell Atlantic believes that Section 251 applies broadly to interconnection among local competitors for local traffic, including interconnection of CMRS providers and LECs. Pursuant to Section 251, disputes among carriers are to be resolved through arbitration at the state level. To the extent state regulators fail to act as required by the Telecommunications Act, the FCC can, and should, intervene. However, the FCC must first rely on state regulators to oversee the development of these important interconnection agreements.

Despite CTIA's claims, Section 332 of the Communications Act does not grant the FCC complete control of CMRS-LEC interconnection. Section 332 is an important statutory provision that eliminated unnecessary regulations imposed on CMRS. The statute preempts state regulators from barring the entry of new CMRS providers and from regulating the retail rates that CMRS providers offer to their customers. Such regulation is unnecessary given the competitive nature of CMRS, and nothing in the Telecommunications Act affects the enforcement of Section 332. Section 332 does not, however, preempt the states from regulating interconnection arrangements between CMRS providers and LECs. Given that the interconnection arrangements between LECs and other wireline competitors are subject to state regulation, it is imperative that CMRS-LEC interconnection also be subject to state, and not federal, oversight. This is necessary to ensure that all local competitors are subject to the same set of rules.

CTIA is correct in stating that the reciprocity embodied in the Ameritech-SBMS agreement, and others like it, is in marked contrast to CMRS-LEC interconnection agreements of the past. The terms of the agreement and the speed with which the parties negotiated it, and the ICC approved it, is evidence that the Telecommunications Act and its appropriate implementation by the Commission will ensure that all carriers are treated fairly. I urge you and your colleagues to resolve these interconnection issues in CC Docket 96-98.

Please direct any questions regarding this matter to me on (202) 392-6980.



cc: Chairman Reed E. Hundt
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Commissioner Susan P. Ness
Commissioner James H. Quello
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